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DEPT FOR DRL, INL, EUR/SCE, AND EUR/SSA, NSC FOR BRAUN,
USUN FOR DREW SCHUFLETOWSKI, USOSCE FOR STEVE STEGER

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SUBJECT: KOSOVO: ASSEMBLY AUDIT REVEALS FISCAL MALFEASANCE
UNDER FORMER SPEAKER NEXHAT DACI

Classified By: COM PHILIP S. GOLDBERG FOR REASONS 1.4 (B) AND (D).

11. (C) SUMMARY. An external audit of the Kosovo Assembly's budget under former Speaker Nexhat Daci has revealed serious fiscal irregularities. The audit states that Daci and his Assembly staff used Assembly finances for expensive armored vehicles, a convention/conference center in a suburb of Pristina, and personal expenses such as dental work, eyeglasses, clothes, and general maintenance at Daci's private home in Pristina and lodge near a ski resort in Brezovica. Current Assembly Speaker Kole Berisha, who gave free rein to the auditors during May and June, provided COM a draft copy of the report on June 22; its contents also appeared in the local press on June 28. This leaking of the report comes on the heels of the June 24 arrest of Daci's former aide-de-camp, Ahmet Alishani, on unrelated bribery charges represent a setback for Daci in his bid to become the head of the Democratic League of Kosovo (LDK) in its autumn party elections. END SUMMARY.

"DACI, WHERE'S MY CAR?"

12. (C) A June 15 draft external audit report on Assembly finances from July 1, 2004 to April 24, 2006, revealed fiscal malfeasance by former Assembly president Nexhat Daci and his staff, particularly the Assembly's Secretary General, Isuf Demaj. The draft report was leaked to the press and appeared in the June 28 edition of the daily Zeri newspaper. Significant findings included irregularity in the purchase of a 236,500 euro armored vehicle for Daci that was never delivered, and payments not approved by the Assembly Presidency totaling 1,651,000 euros for construction of a convention center in the Germia area of Pristina. Berisha told COM June 22 that although Isuf Demaj signed a receipt indicating that he had received the car on November 25, 2005, its whereabouts are still unknown. The Germia convention center is only half-finished, but on June 23 the Assembly presidency unanimously decided to continue construction of the complex since demolition of the building would cost more than the funding already invested in the project, and the Assembly could choose to rent or sell the facility after its completion.

¶3. (C) The Democratic League of Kosovo (LDK), the largest party in the Assembly, replaced Daci with the current Assembly president, Kole Berisha, on March 10, 2006. Berisha made cleaning up the budgetary and procedural mess Daci left a priority and gave free rein to the auditors during May and June. The Assembly presidency had already decided on March 31 that no legal provisions or grounds existed to grant Daci's request for two offices, a car, staff, protection, and continued payment of a supplemental salary (i.e. beyond his pay as a regular member of the Assembly), as are provided to Kosovo's former prime ministers. Berisha told the COM on June 28 that he "enjoyed the complete support of the Assembly Presidency and its members from all political parties on this issue."

FORMER ASSEMBLY STAFFERS IMPLICATED

¶4. (C) The report, which Berisha gave to COM on June 22, identifies over 50 Assembly payments made in contravention of the law on Public Procurement. All were signed by Isuf Demaj, and involved invoices issued before contracts were signed, instances in which multiple invoices showed multiples of exactly 500 euros (the maximum amount allowed under the law for a single purchase) to the same supplier for the same goods, and payment for personal items for Daci and Assembly staff. The latter includes expensive eyeglasses for Daci (590 euros); dental work for Daci (950 euros); purchases of clothes for former staff; and purchases of medication. For example, purchases listed as aftershave, clothes, alcohol, perfume, watches and cigarettes in Zurich airport, Ljubljana airport and in France totalled 1,364 euros and purchases of medication and medical services for Isuf Demaj totalled 3,141

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euros. The report lists petty cash advances of over 48,000 euro in 2005. Berisha suspended Demaj as Secretary of the Assembly on June 23.

A SETBACK FOR DACI

¶5. (C) Police arrested Ahmet Alishani, Daci's aide-de-camp and head staffer in the Office of the Assembly President, June 24 on unrelated charges for accepting a 20,000 euro bribe in January 2003 from the son of Macedonian politician Nevza Halili for his father's release from a Kosovo jail after being charged with terrorism. Daci's hasty reaction June 24 was to call a press conference during which he proclaimed Alishani's innocence as the target of a "conspiracy" and "personal attack" "just as (Daci) was running for head of the LDK." A local judge extended Alishani's detention by 30 days on June 28. In answer to a weekly publication's question June 28 as to whether Daci believes he will be arrested, Daci said "I don't think so, but if justice needs me, a citizen, an MP, and a candidate for the LDK chair, I'm obliged to obey."

¶6. (C) LDK vice-president Eqrem Kryeziu reacted to the audit and Daci's comments to Alishani's arrest by saying June 29 to the press: "I'm sorry if Mr. Daci interprets this arrest in this way...no, absolutely not, this arrest has nothing to do with politics." Even firm Daci supporter Sejde Tolaj, leader of the LDK's influential youth wing, responded to the report carefully by telling the media he cannot comment on the report until he sees it.

¶7. (C) COMMENT. Although the lesser purchases outlined in this draft audit do not necessarily rise to the level of a criminal investigation, taken as a whole, they lend credence to opposition party refrains of corruption in the government. Daci has announced his candidacy for the powerful position of head of Kosovo's largest party, the Democratic League of Kosovo (LDK), and through LDK spokesperson Lulzim Zeneli, said that he will not react publicly to the audit before a

July 8 LDK presidency meeting which will schedule the party's long-overdue convention (after which Daci gave an extensive interview to a local newspaper). The report and allegations that Daci was somehow complicit in corruption -- and his ill-advised comments charging political motives for the allegations -- represent a setback in his efforts to become LDK leader. END COMMENT.

18. (U) U.S. Office Pristina clears this cable for release in its entirety to U.N. Special Envoy for Kosovo Martti Ahtisaari.
GOLDBERG